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MEMORANDUM

TO: Docket Control
Arizona Corporation Commission

FROM: Ernest G. Johnson
EGJ
Director
Utilities Division

Date: December 17, 2007

RE: STAFF REPORT FOR THE APPLICATION OF NORTH MOHAVE VALLEY CORPORATION FOR AN EXTENSION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY (DOCKET NO. W-02259A-07-0434)

Attached is the Staff Report for the application of North Mohave Valley Corporation for Commission authorization to extend its Certificate of Convenience and Necessity. Staff recommends approval.

EGJ:AH:tdp

Originator: Alexander Ibhade Igwe

Attachment: Original and 13 Copies

Arizona Corporation Commission
DOCKETED
DEC 17 2007

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DOCKET CONTROL

Service List for: North Mohave Valley Corporation
Docket No. W-02259A-07-0434

Mr. John McCormick
North Mohave Valley Corporation
Post Office Box 22495
Bullhead, Arizona 86439-2495

Mr. Terrence S. Leek, Esq.
126 North Marina Street
Prescott, Arizona 86301

Arizona Reporting Service, Inc.
2200 North Central Avenue, Suite 502
Phoenix, Arizona 85004-1481

Mr. Christopher C. Kempley
Chief, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Mr. Ernest G. Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Ms. Lyn Farmer
Chief, Hearing Division
Arizona Corporation Commission
1200 West Washington Street

STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

NORTH MOHAVE VALLEY CORPORATION
DOCKET NO. W-02259A-07-0434

APPLICATION FOR EXTENSION
OF CERTIFICATE OF
CONVENIENCE & NECESSITY

DECEMBER 17, 2007

STAFF ACKNOWLEDGMENT

The Staff Report for North Mohave Valley Corporation, Docket No. W-02259A-07-0434 was the responsibility of the Staff members listed below. Alexander Ihhade Igwe was responsible for preparing the Staff Report and Dorothy Hains prepared the Engineering Report.

A handwritten signature in black ink, appearing to read 'Ihade Igwe', with a long horizontal stroke extending to the right.

Alexander Ihhade Igwe
Executive Consultant III

A handwritten signature in black ink, appearing to read 'Dorothy Hains', written in a cursive style.

Dorothy Hains
Utilities Engineer

EXECUTIVE SUMMARY
NORTH MOHAVE VALLEY CORPORATION
APPLICATION FOR EXTENSION OF CERTIFICATE OF CONVENIENCE
AND NECESSITY (DOCKET NO. W-02259A-07-0434)

On July 23, 2007, North Mohave Valley Corporation ("NMVC" or "Company") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for authorization to extend its current Certificate of Convenience and Necessity ("CC&N") to three new sections, contiguous to its certificated area. The requested areas encompass Section 16, on the northern boundary of its existing CC&N; and Sections 28 and 33, south of Section 16. The Company projects that its requested extension will enable it serve 674 new customers over the next five years. As part of its application, the Company proposes to construct a new well (Well #10), at an estimated cost of \$298,470. Well #10 is projected to produce approximately 500 Gallons Per Minute ("GPM"), in addition to its current production capacity of 1,098 GPM. The Company indicates that its existing water transmission and distribution lines are adjacent to the requested areas, thus, could be readily extended to serve the proposed extension. The Company states that Bullhead City will provide sewer service to the requested areas.

NMVC's current service territory measures six square miles within Bullhead City. The Company currently serves almost 2,000 customers, based on rates and charges that were approved by the Commission, in Decision No. 60168, issued in 1997. Staff found that NMVC is in good standing with the Corporations Division of the Commission and has no compliance issues with the Compliance Section of the Utilities Division. Also, the Arizona Department of Environmental Quality ("ADEQ") has determined that the Company is providing water that meets quality standards required by the Arizona Administrative Code, Title 18, Chapter 4. NMVC is not located in any Active Management Area ("AMA"), as designated by Arizona Department of Water Resources ("ADWR").

Staff has determined that Section 33 of its requested extension areas is already a part of NMVC's certificated area. As a result, Staff's analysis was focused on Sections 16 and 28.

Based on Staff's analysis of NMVC's proposal, it appears that the Company will have adequate capacity to serve its requested extension areas. Staff found that the Company's proposed Well #10 and the proximity of its current water infrastructures, will enable it serve the requested sections. Further, Staff found that the Company's satisfactory history of operating water systems in Arizona indicates that it is a fit and proper entity to operate water systems in the requested extension areas. Accordingly, Staff recommends that the Commission approve NMVC's request for extension of its current CC&N to Sections 16 and 28 with the following conditions:

1. Staff recommends that NMVC file with the Commission's Docket Control, as a compliance item in this docket, a copy of the ADEQ's Approval of Construction for the new well, no later than December 31, 2008.

2. Staff further recommends that the Company file with Docket Control, as a compliance item in this docket, a copy of the ADWR's Water Adequacy Report (Letter of Adequate Water Supply) for each subdivision in the requested areas, when received by the Company, but no later than 30 days after issuance by ADWR.
3. Staff further recommends that the Commission Order approving this extension be deemed null and void, after due process, if NMVC does not comply with the above requirements in the time ordered.

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Introduction

On July 23, 2007, North Mohave Valley Corporation (“NMVC” or “Company”) filed an application with the Arizona Corporation Commission (“Commission”) for extension of its water Certificate of Convenience and Necessity (“CC&N”) to three new sections, within the limits of Bullhead City. The Company’s requested extension areas, comprised of Sections 16, 28 and 33, measures approximately two square miles. The requested extension areas are contiguous to its current CC&N. NMVC projects that its requested CC&N extension will enable it serve an additional 674 customers in the next five years.

The Company’s current service territory measures six square miles within Bullhead City. NMVC currently serves almost 2,000 customers, based on rates and charges were approved by the Commission, in Decision No. 60168, effective May 1, 1997.

The Company is a corporation in good standing with the Corporations Division of the Commission and has no outstanding compliance issues in the records of the Compliance Section of the Utilities Division.

Requested CC&N Extension Areas

The Company seeks extension of its service territory to Section 16, located North of Desert Canyon at Sun Ridge, its certificated area; Section 28, an area sandwiched between Sections 29 and 27 of its current CC&N; and Section 33, located South of Section 28 and East of Section 32, its current service territory. The Company’s requested extension areas are contiguous to its existing certificated areas.

The Company reports that Section 16 is owned by two individuals whom have separately requested service for the extension area. Section 28 is owned by the State of Arizona. On August 9, 2009, the Arizona State Land Department issued a letter authorizing the inclusion of the referenced State Trust land in Section 28 of the requested extension. As for Section 33, the Company claims that the area was previously approved by the Commission (Decision No. 57989) for inclusion in its CC&N. However, the Company states that it appears that the previous Order authorizing it to serve Section 33 has lapsed, because the planned project did not commence at the anticipated time. In this filing, the Company indicates that it already has service agreements for both halves of Section 33, and that tank and pump stations have been identified to meet prospective demands within the area. NMVC currently has transmission lines in several locations on the west boundary of Section 33.

Staff has determined that Section 33 is still a component of NMVC’s CC&N. Accordingly, this application is limited to Sections 16 and 28.

Existing Water Systems

NMVC's current water system is comprised of seven drinking water wells, with a combined production capacity of 1,098 Gallons Per Minute ("GPM"); seven storage tanks, with total storage capacity of 2.5 million gallons; and a booster pump station. Based on the Company's reported water usage data for June 2006 through June 2007, it has a daily average consumption during peak month of approximately 605 gallons per day ("GPD") per connection. Therefore, Staff found that based on its reported GPD, the Company does not have adequate capacity to serve its existing customers. Please see Staff's Engineering Report, attached herewith as Attachment A, for detailed description of NMVC's current and proposed systems, as well as its estimated costs of CC&N extension.

Proposed Water System

The Company proposes to install a new well (Well #10), with a production capacity of 500 GPM. Staff finds that the Company will have sufficient production capacity to serve customers in the requested service area when Well #10 is placed in service. Staff recommends that the Company file with Commission's Docket Control, a copy of Approval to Construct ("ATC") issued by the Arizona Department of Environmental Quality ("ADEQ") for its proposed Well #10, no later than December 31, 2008.

Further, the Company proposes to extend its existing transmission lines, within eighteen months, from Tank Site #3 through the east and north sides of Section 21, to serve Section 16. Staff analysis indicates that there are existing mains on the east, north and south of Section 28, and that existing mains at Site #2 could be further extended to serve Section 28. Staff concludes that the Company's current transmission lines could be readily extended to serve the requested service area.

Based on the above findings, Staff concludes that the Company will have adequate capacity to serve its current customers as well as its prospective customers, if certificated to serve the requested area. Staff further concludes that it is reasonable to assume that North Mohave Valley will develop additional capacity as needed to meet future growth in the requested area, if it is needed.

Arizona Department of Environmental Quality Compliance Section

ADEQ has indicated in its issued status report that the Company is currently delivering water that meets quality standards required by the Arizona Administrative Code, Title 18, Chapter 4.

Arizona Department of Water Resources ("ADWR")

NMVC is not located in any Active Management Area ("AMA"), as designated by ADWR.

Designation of Adequate Water Supply

ADWR issued a Decision and Order (AWS # 2002-004) for the City on August 1, 2002. In AWS # 2002-004, ADWR stated that the Company is included in the City's Designation of Adequate Water Supply. Because both Sections 16 and 28 are within the Bullhead City limits, the extension area has an existing ADWR Designation of Adequate Water Supply.

Staff recommends that the Company files with Commission Docket Control, a copy of ADWR's Water Adequacy Report (Letter of Adequate Water Supply) for each of its requested subdivisions, no later than 30 days from the date of issuance.

Arsenic and Other Water Quality Issues

Staff's analysis concluded that it does not appear that arsenic and fluoride levels in the proposed Well #10 exceed Maximum Contamination Level ("MCL"). Please see Section VI of Engineering Report for details.

Curtailment Tariff

The Company has an approved curtailment tariff on file with the Commission.

Cost Analysis

The Company proposes to incur \$298,780 for the installation of Well #10, equipped with 650 feet of 20-inch casing. Staff finds the Company's costs estimate to be reasonable. However, Staff notes that no "used and Useful" determination should be inferred from this conclusion.

Franchise

Applicants for a CC&N and/or CC&N extension are required to submit to the Commission evidence showing requisite consent, franchise or permit by an appropriate authority. The Company has submitted along with its application for CC&N extension, a Bullhead City's Ordinance N0. 90-326, which permits it to construct, operate and maintain systems for collection and transmission of water within the city limits.

Proposed Rates and Charges

Staff recommends that the Company serves the requested extension areas under its authorized rates and charges.

Conclusions and Recommendations

Based on NMVC's proposal, its current experience in operating a water utility in Arizona, and satisfactory compliance record with Arizona regulatory agencies; Staff concludes

that the Company is a fit and proper entity to serve the extension area. Based on the documented demand for service in the requested area, Staff finds that it is in the public interest to approve NMVC's request for CC&N extension. Accordingly, Staff recommends approval of the Company's requested CC&N extension with the following conditions of approval:

1. Staff recommends that NMVC files with the Commission's Docket Control, as compliance item in this docket, a copy of the ADEQ's Approval of Construction ("AOC") for the new well, no later than December 31, 2008.
2. Staff further recommends that the Company file with Docket Control, as a compliance item in this docket, a copy of the ADWR's Water Adequacy Report (Letter of Adequate Water Supply) for each subdivision in the requested areas, when received by the Company, but no later than 30 days after issuance by ADWR.
3. Staff further recommends that Commission Order approving this CC&N extension be deemed null and void, after due process, if NMVC does not comply with the above requirements in the time ordered.

MEMORANDUM

TO: Alex Igwe
Executive Consultant III

FROM: Dorothy Hains, P. E. *DH*
Utilities Engineer

DATE: November 8, 2007

RE: **Water CC&N Extension for North Mohave Valley Corporation**
Docket No. W-02259A-07-0434

I. Introduction

North Mohave Valley Corporation ("North Mohave Valley" or "the Company"), has submitted to the Arizona Corporation Commission ("ACC") a Certificate of Convenience and Necessity ("CC&N") extension application to extend water service to two parcels¹ that are adjacent to the Company's existing service area. The proposed extension would add two square miles to the Company's current service area that includes approximately six square miles. The City of Bullhead City ("City") will be the sewage service provider for the requested area. The Company estimates 674 additional residential water customers will be served in the requested area within five years.

II. Water System

Existing System

The Company operates a water system that consists of seven drinking water wells (having a combined production rate of 1,098 gallons per minute ("GPM")), seven storage tanks (having a combined capacity of 2,500,000 gallons), a booster pump station and distribution system serving approximately 2,000 customers. The Company has experienced an annual average growth rate of over 112 connections in the past eight years. Based on the water usage data for June 2006 through June 2007, the daily average consumption in peak month was approximately 605 gallons per day ("GPD") per connection. The system does not have adequate production to serve its existing and the 674 new customers that are expected to be added within five years if the requested extension is approved.

¹Parcels are in Section 16 and Section 28 of Township 21 North Range 21 West. Both parcels are within the city limits of Bullhead City. The extension area the Company requested in its original filing also included Section 31 in Township 21 North Range 21 West the Company subsequently amended its request to exclude Section 31 after it learned that its existing CC&N already included Section 31.

Proposed Plant Additions

The Company plans to install a new well² with a 500 GPM production capacity. With the addition of a new 500 GPM well the Company will have adequate production to serve the new customers that are expected to be added in the requested extension area.

The Company has already extended its water lines³ near the proposed extension area and plans to use those lines to serve Section 16. The Company can also extend its existing water lines⁴ to serve Section 28.

Staff concludes that the Company will have adequate capacity to serve its existing customers in the CC&N and potential customers in the requested area. Staff further concludes that it is reasonable to assume that North Mohave Valley will develop additional capacity as needed to meet future growth in the requested area, if it is needed. Staff recommends that North Mohave Valley file with the Commission's Docket Control, as a compliance item in this docket, a copy of the Arizona Department of Environmental Quality ("ADEQ") Approval of Construction ("AOC") for the new well by December 31, 2008.

III. ADEQ Compliance Status

Staff received compliance status reports⁵ for North Mohave Valley from ADEQ in which ADEQ stated that it has determined that North Mohave Valley is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

IV. Arizona Department of Water Resources ("ADWR") Compliance Status

North Mohave Valley is not located in any Active Management Area ("AMA"), as designated by ADWR.

Designation of Adequate Water Supply

ADWR issued a Decision and Order (AWS # 2002-004) for the City on August 1, 2002. In AWS # 2002-004, ADWR stated that the Company is included in the City's Designation of Adequate Water Supply. Because both Sections 16 and 28 are within the Bullhead City limits, the extension area has an existing ADWR Designation of Adequate Water Supply.

² A Certificate of Approval To Construct ("ATC") for well #10 has been issued by Arizona Department of Environmental Quality on October 15, 2007.

³ The Company has existing 12-inch and 8-inch lines on the east and north section lines of Section 21.

⁴ The existing main along J L McCormick Blvd can be extended to serve Section 28.

⁵ Staff received the compliance status reports from ADEQ on August 24, 2007.

Analysis of Adequate Water Supply

Staff recommends that the Company file with Docket Control, as a compliance item in this docket, a copy of the ADWR Water Adequacy Report (Letter of Adequate Water Supply) for each individual subdivision in the requested area, when received by the Company, but no later than 30 days after issuance from ADWR.

V. ACC Compliance Status

According to the Utilities Division Compliance Section, North Mohave Valley has no delinquent ACC compliance issues.

VI. Arsenic and Other Water Quality Issues

The U.S. Environmental Protection Agency ("EPA") has reduced the arsenic maximum contaminant level ("MCL") in drinking water from 50 micrograms per liter (" $\mu\text{g/l}$ ") or parts per billion ("ppb") to 10 $\mu\text{g/l}$. Arsenic and fluoride levels in two of the Company's existing wells exceed the new MCL⁶. On July 27, 2005, ADEQ issued an approval for the Company's blending plan for arsenic and fluoride that includes using water from the proposed well. It does not appear that arsenic and fluoride levels in the proposed well exceed the MCL.

VII. Curtailment Tariff

The Company has an approved curtailment tariff on file with the Commission.

VIII. Cost Analysis

The Company submitted the following cost estimate for the proposed new well that will be needed to serve the requested extension area:

Install new well equipped with 650 feet of 20-inch casing: \$298,470

Staff concludes that the Company's estimated cost is reasonable and appropriate for this project. The approval of this CC&N application does not imply any particular future treatment for rate base. No "used and useful" determination of the proposed plant was made, and no conclusions should be inferred for future rate making or rate base purposes.

⁶ Well #4 (DWR #55-507876) contains 89 $\mu\text{g/l}$ of arsenic and 5.5 mg/l of fluoride. Well #7 (DWR #55-805519) contains 20 $\mu\text{g/l}$ of arsenic and 4.3 mg/l of fluoride.

IX. Summary

A. Conclusions

1. Staff concludes that North Mohave Valley will have adequate capacity to serve customers in the requested area after the new well (Well #10) is in service. Staff further concludes that it is reasonable to assume that North Mohave Valley will develop additional capacity as needed to meet future growth in the requested area.
2. North Mohave Valley is currently delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.
3. North Mohave Valley is not located in any AMA as designated by ADWR.
4. According to the Utilities Division Compliance Section, North Mohave Valley has no delinquent ACC compliance issues.
5. Staff concludes that North Mohave Valley's estimated cost is reasonable and appropriate for this project. The approval of this CC&N application does not imply any particular future treatment for rate base. No "used and useful" determination of the proposed plant was made, and no conclusions should be inferred for future rate making or rate base purposes.

B. Recommendations

1. Staff recommends that North Mohave Valley file with the Commission's Docket Control, as a compliance item in this docket, a copy of the ADEQ ATC for the new well by December 31, 2008.
2. Staff recommends that the Company file with Docket Control, as a compliance item in this docket, a copy of the ADWR Water Adequacy Report (Letter of Adequate Water Supply) for each individual subdivision in the requested area, when received by the Company, but no later than 30 days after issuance from ADWR.

MEMORANDUM

TO: Alexander Igwe
Executive Consultant III
Utilities Division

FROM: Barb Wells 
Information Technology Specialist
Utilities Division

THRU: Del Smith 
Engineering Supervisor
Utilities Division

DATE: September 24, 2007

RE: **NORTH MOHAVE VALLEY CORPORATION (DOCKET NO. W-02259A-07-0434)**
AMENDED LEGAL DESCRIPTION

The area requested by North Mohave for an extension for water has been plotted using an amended legal description, which has been docketed. This legal description is attached and should be used in place of the original description submitted with the application.

Also attached is a copy of the map for your files.

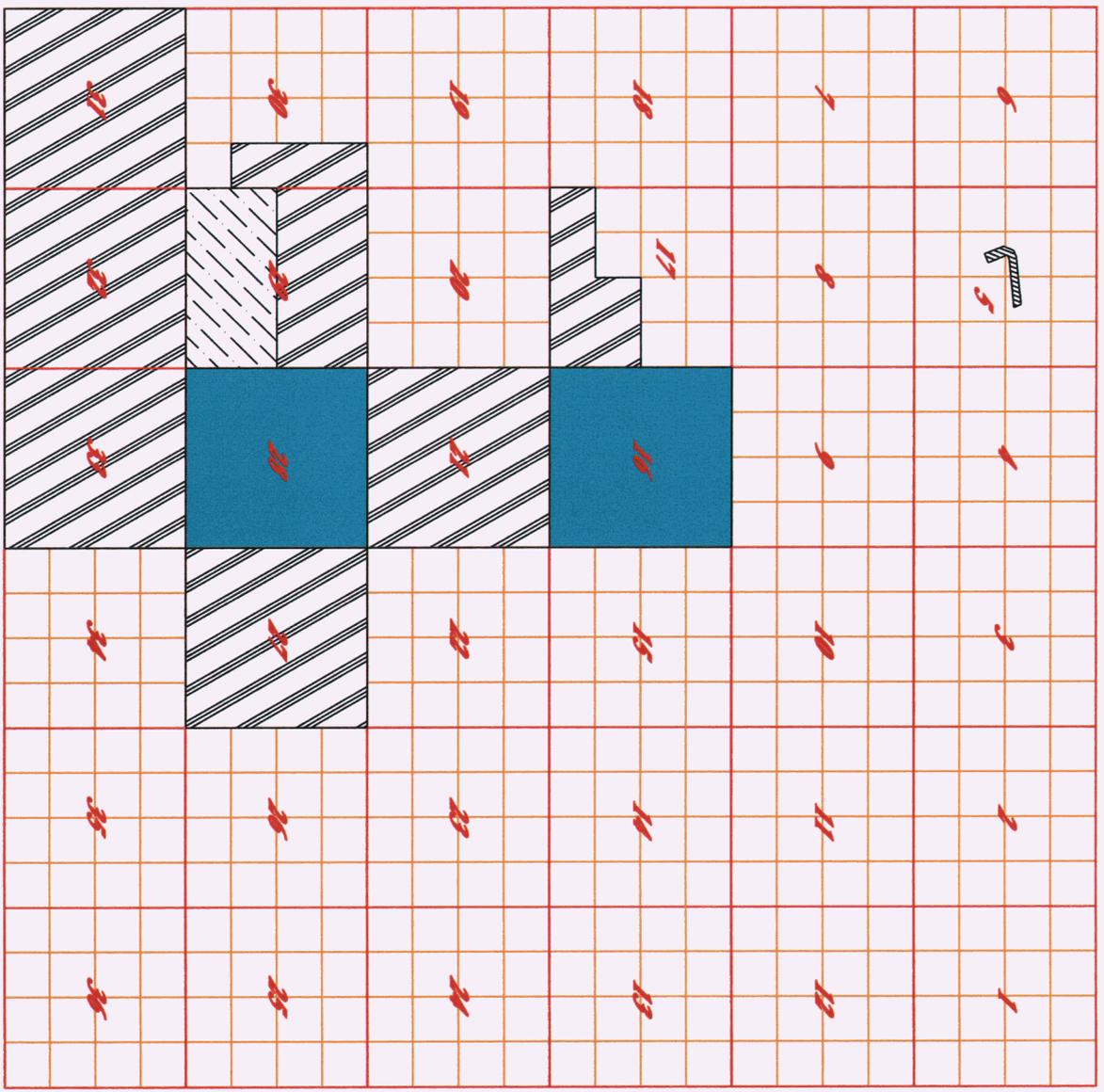
:bsw

Attachments

cc: Mr. John McCormick
Ms. Deb Person (Hand Carried)
Ms. Dorothy Hains

COUNTY: Mohave

RANGE 21 West



TOWNSHIP 21 North

 WS-1303 (8)

Arizona-American Water Company

 W-1751 (1)

Katherine Resort Water Company

 W-2259 (1)

North Mohave Valley Corporation

 (1)

North Mohave Valley Corporation
 Docket No. W-02259A-07-0434
 Application for Extension

Wells

North Mohave Valley Corp.

PRESIDENT • FRANK L. LANDON, P.E.

P.O. BOX 22495
BULLHEAD CITY, ARIZONA 86439-2495 • (928) 763-5655

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August 23, 2007

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AZ CORP COMM
Director Utilities

Docket Control
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85707

RE: Docket W-02259A-07-0434
Amendment to Legal Description
Extension of Certificate of Convenience and Necessity

With reference to the above captioned, please amend the requested area to the following legal description:

Mohave County, Sections 16 and 28, Township 21N, Range 21W.

Please call if you have questions.

NORTH MOHAVE VALLEY CORP.


John McCormick
Secretary-Treasurer/Manager

Enclosure – 13 copies